

FINAL BILL REPORT

SB 5572

C 381 L 07

Synopsis as Enacted

Brief Description: Providing excise tax relief for certain limited purpose public corporations, commissions, and authorities.

Sponsors: Senators Murray and Weinstein.

Senate Committee on Government Operations & Elections

Senate Committee on Ways & Means

House Committee on Finance

Background: Business and Occupation Tax: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts from all business activities conducted within the state without any deduction for the costs of doing business. A business may have more than one B&O tax rate, depending on the types of activities conducted. The tax rate for most types of businesses that provide services is 1.5 percent.

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user.

Public Development Authorities: Public development authorities (PDAs) are authorized to improve the administration of authorized federal grants or programs, to improve governmental efficiency and services, and to improve the general living conditions in the urban areas of the state. The PDA legislation was initially enacted to authorize counties, cities, and towns a mechanism to participate in and implement federally-assisted programs, including revenue sharing, without creating potential conflict with respect to constitutional restrictions regarding the lending of credit.

Many local governments have established public corporations for a variety of public purposes, such as the implementation of community and affordable housing programs.

PDAs are provided immunity from property taxation, but in general are subject to leasehold excise taxes on leases of property to private entities. Amounts received by PDAs from non-governmental entities for the provision of services, depending on how the PDA is organized, may be taxable under the B&O tax.

Summary: An exemption from the B&O tax is provided for amounts received by a PDA for providing services to a limited liability company—if the PDA is the managing member; a limited partnership—if the PDA is the general partner; or a single asset entity required under a governmental housing assistance program—if the entity is controlled by the PDA.

An exemption from sales and use tax for amounts received by a PDA for the provision of services subject to sales and use tax if the amounts received are exempt from B&O tax under this act.

Votes on Final Passage:

Senate	49	0	
House	97	0	(House amended)
Senate	49	0	(Senate concurred)

Effective: July 22, 2007